

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item # 10

Agenda ID: 20557

ENERGY DIVISION

RESOLUTION E-5204

May 19, 2022

R E S O L U T I O N

RESOLUTION E-5204:

- Request by Southern California Edison Company (SCE) for Approval of 2022 Power Displacement Agreement with the United States Department of Defense, Edwards Air Force Base

PROPOSED OUTCOME:

- This Resolution would approve a 2022 Power Displacement Agreement between SCE and the United States Department of Defense, Edwards Air Force Base. This 2022 Power Displacement Agreement replaces the 2012 Power Displacement Agreement, which expired on December 31, 2021.

SAFETY CONSIDERATIONS:

- The 2022 Power Displacement Agreement approved by this Resolution will not fundamentally alter the electric service that SCE currently provides to Edwards under the 2012 PDA. There are no incremental safety implications associated with approval of the 2022 Power Displacement Agreement beyond the 2012 Power Displacement Agreement.

ESTIMATED COST: No estimated cost impact.

By Advice Letter 4681-E, Filed on December 30, 2021

SUMMARY

This Resolution approves the 2022 Power Displacement Agreement (2022 PDA) between Southern California Edison (SCE) and the United States Department of Defense, Edwards Air Force Base (Edwards), which is the successor agreement to a 2012 Power Displacement Agreement (2012 PDA). The 2022 PDA would extend the PDA for an additional ten years and would update the PDA to reflect current Resource Adequacy (RA) requirements and revise billing formulas to incorporate recent Commission decisions.

The 2022 PDA allows Edwards to receive low-cost federal power through SCE without additional costs to other SCE ratepayers. The 2022 PDA requires Edwards to pay SCE additional charges that ensure other SCE ratepayers are indifferent to energy load supplied by Western Area Power Administration (WAPA or Western) and credited to Edwards. Furthermore, the 2022 PDA allows low-cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.

This Resolution approves the AL 4681-E, without modification.

BACKGROUND

WAPA is an agency of the US Department of Energy headquartered in Denver, Colorado that delivers hydroelectric power within a 15-state region of the United States. Since 1976, the Edwards Air Force Flight Test Center has had an agreement with WAPA for an annual entitlement of federal preference power from the Parker-Davis Federal Project located on the Colorado River. To facilitate the delivery of the Western power to California, SCE has entered into consecutive long-term PDAs with Edwards, whereby SCE receives power from the Edwards' entitlements for use by SCE customers and provides bill credits to Edwards against retail power metered and billed at designated locations at Edwards.

The prior 2012 PDA, executed on December 28, 2011, and approved by the Commission in Resolution E-4601, on July 25, 2013, expired on December 31, 2021. Edwards and SCE desire to extend the PDA for an additional ten years, from January 1, 2022, to December 31, 2031. The parties also wish to update the PDA to reflect current RA

requirements and to revise the billing formulas to incorporate references to recent Commission decisions and rates.

Under the 2012 PDA, Edwards is responsible for delivery of Western power to SCE's Default Load Aggregation Point (DLAP). In exchange for the delivery of Western power, SCE provides Edwards a direct displacement of metered retail usage at nine Edwards' service accounts. Edwards total generation charges are thus reduced by the amount of Western power allocated to each account. Any remaining requirements are billed at the otherwise applicable tariffed SCE generation rate. Edwards also receives credit for power provided by Western in excess of the requirements at the designated service accounts at SCE's DLAP price. Under the 2012 PDA, Edwards is also billed by SCE for all delivery charges based on metered consumption which includes: distribution, transmission and non-bypassable charges.

Displacing metered consumption through power credits provided by Western results in Edwards paying generation rates only for power supplied by SCE. The Western power provided on Edwards' behalf does not satisfy the RA or Renewables Portfolio Standards (RPS) requirements associated with Edwards' total load. Therefore, the 2012 PDA included additional charges associated with these "generation-related" services provided by SCE. In addition, SCE bills Edwards for ancillary services and costs associated with scheduling Edwards' load with the California Independent System Operator (CAISO). With the RPS and RA Service Charges, bundled service SCE customers are ensured that they are not subsidizing Edwards when complying with RPS and RA requirements. With the Ancillary Services and ISO Load-Related Charges, other SCE generation customers are ensured that they are not paying higher generation rates associated with ancillary services and ISO load-related costs.

The 2012 PDA identified the following specific charges:

RPS Service Charge

SCE generation rates recover the cost of required RPS-compliant resources, which currently provide in excess of 22% of SCE's bundled service customers' energy needs. Because the energy provided by Western and credited against Edwards' metered consumption does not include a comparable percentage of renewable power which can be counted towards SCE's RPS requirement, SCE must instead procure a proportionately higher percentage of RPS-compliant energy. In order to prevent a subsidy by bundled service customers to Edwards, the 2012 PDA includes an additional energy charge which reflects the Commission-adopted renewable power premium and SCE's realized RPS

percentage. This charge is applied on a monthly basis to Western energy allocated to Edwards' service accounts.

RA Service Charge

SCE generation rates include the cost of complying with RA requirements, currently set at 15% for system RA. Because the capacity provided by Western and credited against Edwards' metered consumption does not satisfy RA requirements associated with Edwards' load, SCE must instead procure a proportionately higher percentage of RA capacity. In order to prevent a subsidy by bundled service customers to Edwards, the 2012 PDA includes an additional demand charge which reflects the Commission-adopted RA adder.

Ancillary Services and CAISO Load-Related Charges

Although Edwards has retained Western as scheduling coordinator (SC) for purposes of importing its Western power into California and scheduling supply with the CAISO, SCE remains responsible for scheduling Edwards' entire load. Because SCE recovers its CAISO-related costs through its generation rates, displacement of metered energy by Western power reduces Edwards' contribution toward load-related CAISO costs. In D.11-12-018, the Commission adopted a subset of CAISO related costs determined to be load-related. Including a charge in the PDA based on the amount of Edwards' load displaced by Western power prevents other customers from paying incrementally higher generation rates associated with ancillary services and ISO load-related costs.¹

Proposed 2022 Power Displacement Agreement

The 2022 PDA would make several material changes to the 2012 PDA.

Like the 2012 PDA, the 2022 PDA continues to provide the benefit of Western power to Edwards through a direct displacement of metered retail usage at nine Edwards service accounts.

The 2022 PDA includes updated provisions that outline the actions required to facilitate SCE's use of the RA associated with Edwards' entitlement from the Parker-Davis Federal Project (e.g., submission of supply plans, availability to CAISO markets). Additionally, it provides for annual meetings to discuss process issues for each

¹ AL 4681 at 3-4.

upcoming year, including new or proposed CPUC obligations related to resource adequacy and potential process changes to implement such obligations.

SCE describes the 2022 PDA monthly RA credit to be determined, as follows:

- (1) offsetting Monthly Scheduled Capacity, which is the kW amount of RA Edwards provides to SCE (scheduled by Western on the supply plan for the applicable month) against Monthly Consumed Capacity, which is the collective time related demand for the nine Edwards service accounts for the applicable month (adjusted for the Planning Reserve Margin adopted by the CPUC from time to time) and
- (2) applying a Planning Reserve Margin adjustment to any amount of Monthly Consumed Capacity not offset by Monthly Scheduled Capacity. If Monthly Scheduled Capacity exceeds Monthly Consumed Capacity during the months of May through October, then a bill credit will be issued based on the amount of the excess, multiplied by an RA Service Rate based on the RA adder established annually by the Commission's annual Market Price Benchmarks for the value of each unit of capacity in a utility portfolio that can be used to satisfy system RA obligations, converted to monthly values based on Commission-approved shaping factors. No bill credit will be issued if Monthly Scheduled Capacity exceeds Monthly Consumed Capacity during a month outside of May through October.²

The 2022 PDA also includes updates to other payment provisions, including the Cost Responsibility Surcharge and the RPS Service Charge, to include references to current Commission decisions and rates.

For the Cost Responsibility Surcharge, the 2022 PDA provides that this charge will be the Additional Energy (as allocated to designated service accounts) multiplied by the applicable Competition Transition Charge (CTC) and Power Charge Indifference Amount (PCIA) from Schedule DA CRS - 2001 Vintage. The CTC and PCIA will be updated annually in the ERRA Forecast proceeding and will vary based on the tariff schedule applicable to each service account. Additionally, the charges will be trued up following approval by the Commission of revised 2021 charges. Each year's CTC and PCIA rates applicable to the 2022 PDA will be set forth in SCE's Schedule DA-CRS.

² SCE AL 4681-E at 4.

For the RPS Service Charge, the 2022 PDA recognizes that this charge will be the allocated Edwards Energy multiplied by the RPS Adder (\$/kWh) as determined by the annual, Commission-adopted Market Price Benchmark (\$/MWh). The RPS adder is multiplied by the applicable forecast RPS percentage for the billing year, representing the percentage of energy in SCE's total portfolio derived from RPS-eligible resources for the ERRR forecast Year (e.g., 40%).

Cost Recovery

SCE notes that "[n]o cost information is required for this advice letter. This advice letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule."³

NOTICE

Notice of AL 4681-E was made by publication in the CPUC's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 4681-E was not protested by any party.

DISCUSSION

The 2022 PDA between SCE and Edwards is reasonable and is approved.

The 2022 PDA between SCE and Edwards is reasonable because it allows Edwards to receive low-cost federal power through SCE without additional costs to other SCE ratepayers. The 2022 PDA requires Edwards to pay additional charges to ensure that other SCE ratepayers are indifferent to energy supplied by Western and credited to Edwards. These additional charges include an RPS Service Charge, an RA Service Charge, and Ancillary Services and ISO Load-Related Charges. With the RPS and RA Service Charges, bundled service SCE customers are ensured that they are not subsidizing Edwards when complying with RPS and RA requirements. With the Ancillary Services and ISO Load-Related Charges, other SCE generation customers are

³ AL 4681-E at 5.

ensured that they are not paying higher generation rates associated with ancillary services and ISO load-related costs.

The 2022 PDA will not result in increased costs to SCE's ratepayers. Furthermore, the 2022 PDA allows low-cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.

The Commission has reviewed the Advice Letter and finds that SCE's request for approval of the Edwards PDA is reasonable.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution is neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on April ~~15th~~ 15, 2022.

[No party filed comments.](#)

FINDINGS

1. WAPA is an agency of the US Department of Energy that has hydroelectric capacity and energy allocated to Edwards Air Force Base (Edwards).
2. Since 1976, WAPA has agreed to supply Edwards an annual entitlement of federal preference power from the Parker-Davis dams.
3. Edwards and SCE have entered into long-term Power Displacement Agreements (PDAs) since 1976 whereby SCE receives the power from Edwards's entitlements for use by SCE customers and credits Edwards against retail power metered and billed at designated locations at Edwards.
4. SCE filed AL 4681-E on December 30, 2021, requesting Commission approval of its 2022 PDA with the U.S. Department of Defense at Edwards.

5. The 2022 PDA allows Edwards to receive low-cost federal preference power from the Parker-Davis Federal Project through SCE's grid, while SCE credits nine of Edwards' electric service accounts for the power received.
6. The 2022 PDA credits Edwards for Western power at nine Edwards retail metered service accounts at SCE's Default Load Aggregation Point price.
7. Edwards is billed all delivery charges based on metered consumption, which include Transmission, Distribution, and all non-bypassable charges.
8. On a monthly basis, any remaining metered consumption not credited from Western power is billed at the applicable SCE generation rate.
9. Under the 2012 PDA, Edwards is required to pay additional charges, which include RPS Service Charge, RA Service Charge, and Ancillary Services and ISO Load-Related Charges.
10. These additional charges ensure that other SCE ratepayers are indifferent to the import of Western power for Edwards.
11. The 2022 PDA will not increase any rates to SCE's customers.
12. The 2022 PDA allows low-cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.
13. The 2022 PDA between SCE and Edwards is reasonable and should be approved.

THEREFORE IT IS ORDERED that:

1. The request of Southern California Edison (SCE) to approve its 2022 Power Displacement Agreement (PDA) with the United States Department of Defense at Edwards Air Force Base in Advice Letter AL 4681-E is approved.
2. The revised tariffs proposed in AL 4681-E, including adding the 2022 PDA to its List of Contracts and Deviations, are approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 19, 2022, the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director